

World Apple Situation

SUMMARY

World apple production¹ in marketing year (MY) 2004/2005 is estimated to be approximately 42 million metric tons. U.S. apple production is about 4.6 million tons, or 11 percent of estimated world apple production.

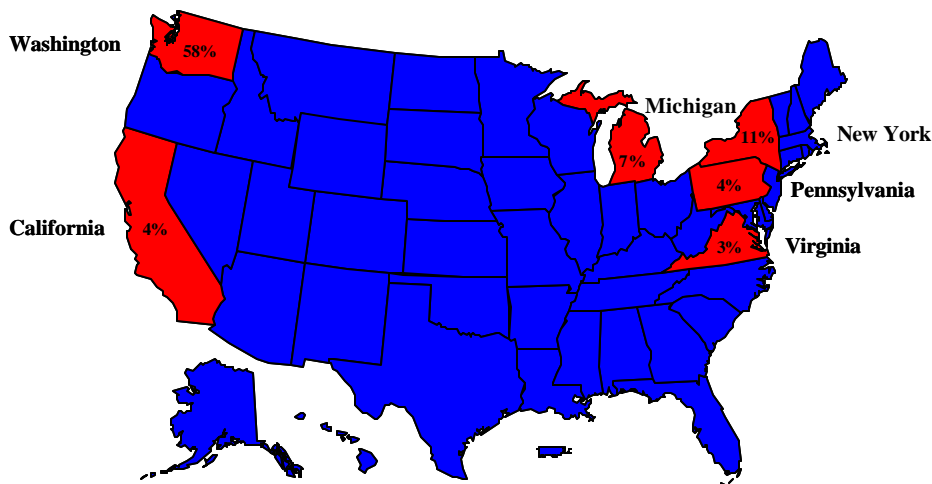
Combined apple exports from major world traders in MY 2004/2005 are estimated at 5 percent above 2003/2004 or about 4.2 million tons. Trade issues continue to be a significant barrier for U.S. apples in certain destination markets.

PRODUCTION

Apple production² in the United States during the marketing year (MY) 2004/2005 (July-June) is expected to increase to about 4.6 million tons, up nearly 15 percent from the previous year. A 30-percent increase in Washington apple production and an eleven percent increase in New York more than offset a 19-percent decline in Michigan and an 8-percent decline in California. The overall 15-percent increase, however, reflects a return to more average levels after several years of shorter crops.

Six States Account for Most Apples Produced in the United States

(Marketing Year 2004/2005)



Source: USDA National Agricultural Statistics Service

¹ Totals no longer include France, Netherlands, and Belgium due to discontinued reporting requirements.

² Total production includes unharvested production and fruit harvested but not sold due to market conditions.

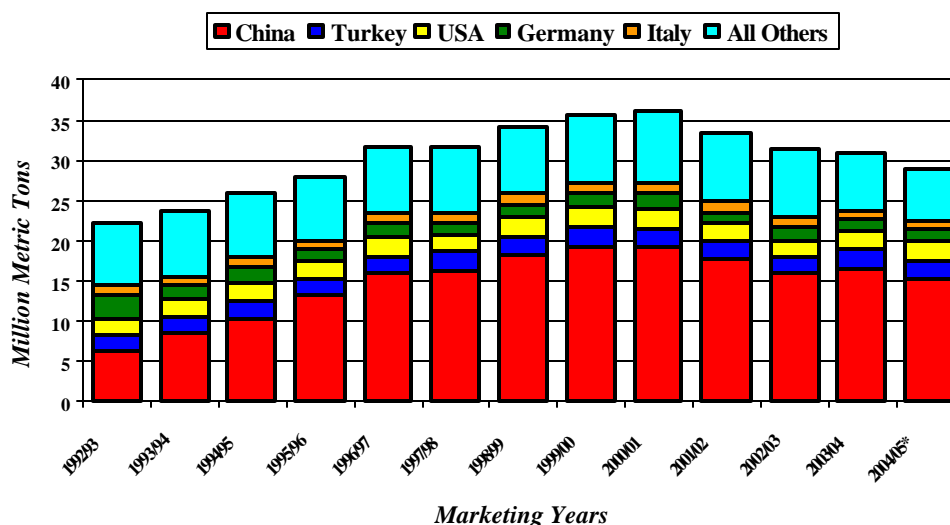
The National Agricultural Statistics Service (NASS) released the *Non-citrus Fruits and Nuts Preliminary Summary* on January 25, 2005, which provided utilized production and price figures for 2004. According to the report, utilized production for Washington and New York increased 30 percent and seven percent, respectively, while Michigan's utilized production decreased 19 percent compared to the previous year. In Washington, excellent growing conditions allowed production to rebound from the short 2003 crop. Yield potential in Michigan was reduced by a hard freeze during the first week of May. Widespread hailstorms in the early fall further curtailed Michigan production. Heat in California and hurricane remnants in Pennsylvania reduced utilized production from 2003.

Global apple production is expected to be up one percent from 2003/2004. Apple production in the southern hemisphere is expected to post a 3-percent increase in 2004/2005 over the previous year. Large increases in Argentina and Australia more than offset declines in Chile, New Zealand, and South Africa. Apple production in the Northern Hemisphere is expected to post a modest increase of one percent.

CONSUMPTION

Apple consumption in the United States is expected to increase nearly 14 percent during MY 2004/05 (July-June). However, globally, consumption continues to be stagnant or declining. Overall fresh fruit consumption in many developed countries is increasing with improved availability and choice across the fruit category. The apple, although included in the "Five-a-day" program in a number of these countries, is a maturing segment of the fruit market. New apple varieties are helping to offset this disadvantage, and the U.S. industry has proven very proactive in this regard.

World Fresh Apple Consumption Expected To Continue Decline; China Still Largest Apple Consumer



Source: USDA Agricultural Attaché Reports and the U.S. National Agricultural Statistics Service

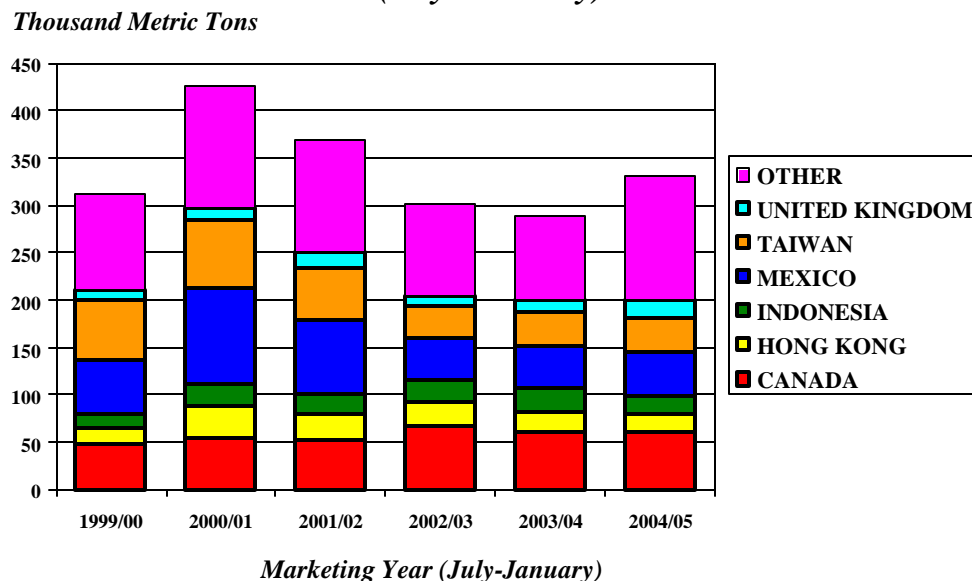
TRADE

U.S. apple exports showing a turnaround

U.S. apple export quantities for MY 2003/04 declined 13 percent from 2002/03 across all top five markets including Mexico, Canada, Taiwan, Indonesia, and Hong Kong. However, currently available data for 2004/2005 show export quantities the first 7 months of the marketing year increasing 14 percent over previously low levels. Stronger markets include Mexico, Taiwan, and the United Kingdom. Most of the support in the export market is coming from the “other” category that includes such countries as the United Arab Emirates, India, Saudi Arabia, China, Dominican Republic, and the Russian Federation. Market values from July 2004 through January 2005 totaled \$249 million or 25 percent above the same time period the previous year.

U.S. Apple Exports Showing A Turnaround From Declines of Last Few Years

(July – January)



Source: U.S. Department of Commerce, Bureau of the Census

Mexico

Over the years, apple trade between the United States and Mexico has been contentious. On Feb. 17, 2005, the Foreign Agricultural Service (FAS) in Mexico City reported that UNIFRUIT, an apple producer association in Chihuahua, Mexico, filed an Amparo (Court Injunction) to stop the Dec. 29, 2004, suspension of antidumping duties and reference price agreement between the Northwest Fruit Exporters (NFE) and Mexico's Secretariat of Economy. A judge admitted the Amparo documents and issued a provisional suspension to UNIFRUIT, thereby putting on hold the February 28 lifting of duties. The agreement was scheduled to go into effect on Feb. 28, 2005, and would lift the current 46.58 - percent antidumping duty on U.S. red and golden

delicious apples for members of NFE. Until this issue is resolved, members of the NFE will continue to pay the 46.58 - percent antidumping duty.

Taiwan

On Dec. 21, 2004, Taiwan banned U.S. apple imports after the third detection of codling moth - per the work plan's three strikes rule. APHIS and FAS have worked expeditiously with the U.S. apple industry and the Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) officials to reopen the market. The Minister of the Council of Agriculture (COA) in Taiwan is expected to approve U.S. proposed revisions to the apple work plan in March 2005. In anticipation of this approval, two BAPHIQ officials traveled to Washington State to inspect orchards and review the codling moth detection system. It is also expected that BAPHIQ will swiftly reopen the market in Taiwan to U.S. apple shipments once officials are assured that the newly developed mitigation measures are effective in controlling codling moth larvae in apples.

Japan

U.S. apple exports to Japan are hampered by a restrictive and costly work plan for fire blight, limitations on the varieties allowed to be exported, and limitations on the states allowed to export. On March 1, 2002, the U.S. government filed a complaint with the World Trade Organization (WTO) over Japan's plant quarantine regulations regarding import procedures on U.S. apples for fire blight. Following the initiation of the WTO case against Japan on the fire blight issue in March 2002, the WTO panel and subsequent Appellate Body ultimately agreed with the U.S. position that mature, symptomless apples are not a vector for transmission of the bacterium that causes fire blight and that Japan's measures for apples were therefore unjustified under the SPS Agreement. On January 9, 2004, Japan announced that it would comply with the WTO Appellate Body ruling. On February 10, Japan and the United States submitted to the WTO Dispute Settlement Body (DSB) an agreement to a reasonable implementation period and phase-out of existing import restrictions for apples by June 30, 2004. On July 19, 2004, the USG requested that the WTO reconvene a dispute settlement panel to examine whether Japan has complied with WTO rulings on its phytosanitary measure on imported U.S. apples. The United States also requested authorization from the WTO to suspend trade concessions on Japanese products if the panel determines that Japan has not complied. The WTO will release a report in mid June 2005.

India

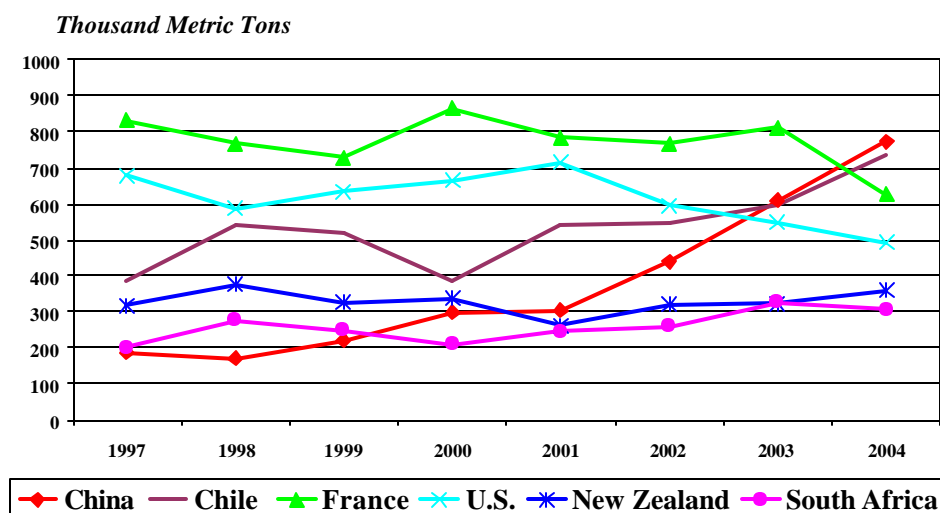
On March 14, 2005, FAS/New Delhi received credible reports that India has begun sample testing U.S. apples entering the Port of Mumbai. The testing is aimed at detecting the presence of wax coatings on fruit. However, reports indicate that no consignment has been denied entry to India. U.S. apples and pears are commonly coated with wax to preserve the fruit. In October 2003, India imposed a ban on the sale of fresh fruits and vegetables coated with wax, without notification to the WTO. Although this ban has not been enforced, its potential enforcement continues to be of great concern to U.S. exporters. The United States has requested Indian approval for the use of carnauba wax and shellac on U.S. fresh fruits and vegetables. Despite CODEX a agreement on the safety of these products, and after 15 months of bilateral

engagement on this issue, India has not approved the use of carnauba wax and shellac for this purpose. Indian approval remains stagnant in a bureaucratic technical review. In 2004, U.S. exports of apples and pears to India reached \$9.5 million, a 44- percent jump over 2003.

China

China, for the first time in MY 2003/04, exceeded the United States in exports of apples by more than 250,000 metric tons. The current estimate is for China's apple exports to exceed the United States by 330,600 metric tons in 2004/05. China is expected to take the lead on world apple exports away from France. According to the Global Trade Atlas, China exported 774,189 tons of apples during 2004, while France exported 623,550 tons. China is now the largest exporter of apples in the world.

World Apple Exports *China Takes the Lead*



Source: Global Trade Atlas

Canada to allow fresh apples from China

The Canadian Food Inspection Agency (CFIA) lifted its suspension on the importation into Canada of apples from Shaanxi province in October 2004. Imports had been suspended by the CFIA due to interceptions of quarantine pests. In recent years, the importation of fresh apples from China has been subject to a trial importation period administered by the CFIA. Canadian plant health officials visited China in August and September of 2004, inspecting orchards in Shaanxi and meeting with their Chinese counterparts. The inspection team determined that the Chinese had adequate control measures in place for a specific insect pest. Canadian imports of Chinese fresh apples have grown sharply since phytosanitary requirements for their importation were first established in 2002. During MY 2003/04 (July–June) Canadian imports of Chinese apples reached 3,299 metric tons making China the fifth most important supplier to the Canadian import market for fresh apples. The United States is the leading supplier of fresh apples to

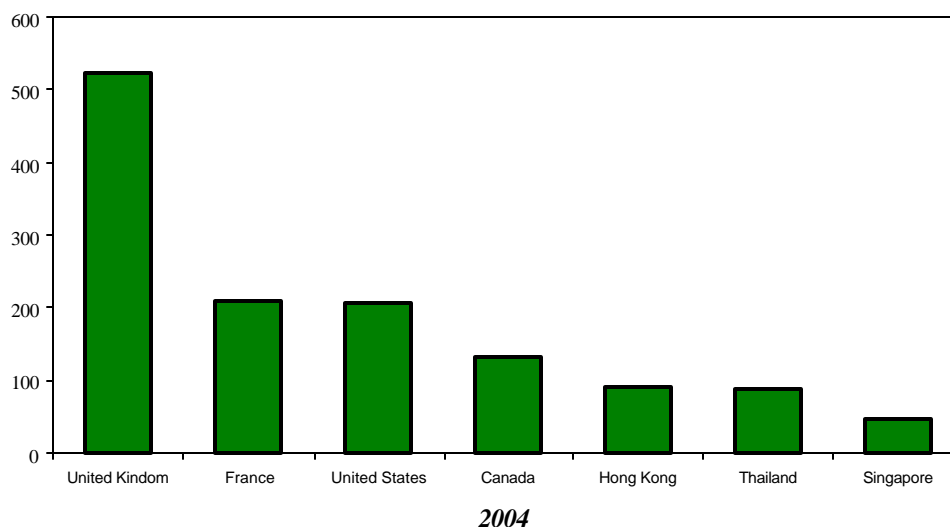
Canada, with apples imported from the United States topping 95,000 metric tons in 2003/04, accounting for 70 percent of the Canadian fresh apple import market.

Apple Imports

Total world apple imports during 2003 amounted to 5.7 million tons (Global Trade Atlas) while world production of apples, according to the Food and Agriculture Organization (FAO) of the United Nations, totaled 59 million tons. About 90 percent of apples are consumed domestically, and this trend can be attributed mainly to China. The top apple importing country continues to be the United Kingdom.

World's Largest Apple Importers

Thousand Metric Tons



Source: Global Trade Atlas

(For information on production and trade, contact Heather Velthuis at 202-720-9792. FAS attaché reports on deciduous fruits can be found in the FAS home page at:

<http://www.fas.usda.gov/scripts/attacherep/default.asp> Specific data on world production, supply, and demand for apples can be located at http://www.fas.usda.gov/psd/complete_tables/HTP-table6-102.htm. Also, visit our apple web page at <http://www.fas.usda.gov/http/horticulture/apple.html>

